

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

VICTOR REICHENSTEIN, Individually and  
On Behalf of All Others Similarly Situated,

Plaintiff,

v.

KANDI TECHNOLOGIES GROUP, INC.,  
HU XIAOMING, WANG CHENG, and ZHU  
XIAOYING,

Defendants.

No. 17-cv-1930

**CLASS ACTION COMPLAINT FOR  
VIOLATIONS OF THE FEDERAL  
SECURITIES LAWS**

**JURY TRIAL DEMANDED**

Plaintiff Victor Reichenstein (“Plaintiff”), by and through his attorneys, alleges upon personal knowledge as to himself, and upon information and belief as to all other matters, based upon the investigation conducted by and through his attorneys, which included, among other things, a review of documents filed by Defendants (as defined below) with the United States Securities and Exchange Commission (the “SEC”), conference call transcripts, news reports, press releases issued by Defendants, and other publicly available documents, as follows:

**NATURE AND SUMMARY OF THE ACTION**

1. This is a federal securities class action on behalf of all investors who purchased or otherwise acquired Defendant Kandi Technologies Group, Inc. (“Kandi” or the “Company”) common stock between May 12, 2014 through March 13, 2017 inclusive (the “Class Period”). This action is brought on behalf of the Class for violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”), 15 U.S.C. §§ 78j(b) and 78t(a) and Rule 10b-5 promulgated thereunder by the SEC, 17 C.F.R. § 240.10b-5.

2. Kandi, manufactures small vehicles including energy-saving mini cars, all terrain vehicles, golf carts, motor cycles, motor scooters and go-karts. The majority of the Company's revenues are derived from its 50% stake in a joint venture (which Kandi calls the "JV Company") that produces electric vehicles for sale in China.

3. On March 13, 2016, Kandi disclosed that the Company's board of directors, based on the recommendation of the Company's audit committee, had determined that the Company's previously issued financial statements for 2014, 2015, and the first three quarters of 2016 should no longer be relied upon by investors and that the accounting issues came to light, in part, through the preperation of responses to comments from the staff of the SEC.

4. The Company further disclosed that it would restate its previously issued financial statements for 2014, 2015, and the first three quarters of 2016 and is now "reassessing" its internal controls over financial reporting and compliance.

5. On this news, Kandi's share price fell nearly 7%, to close at \$4.05 per share on March 14, 2017, and causing millions in losses to shareholders.

6. Throughout the Class Period, Defendants made false and/or misleading statements, as well as failed to disclose material adverse facts about the Company's business, operations, and prospects. Specifically, Kandi has disclosed that the Company's restatements of previously-issued financial information filed with the SEC, and publicly disseminated those financial statements to members of the class, will include: i) "separate audited financial statements for the Company's equity investment in the JV Company," ii) "corrections to the classification of notes receivable and notes payable in the Company's statements of cash flow, revisions in the Company's financial statement presentation to separately identify certain related party accounts on the face of the Balance Sheets and the Consolidated Statements of Income (Loss) and Comprehensive Income

(Loss),” iii) “certain amendments to Note 20 – Taxes of the Notes to the Company’s Consolidated Financial Statements,” iv) “the adjustment of previously recorded construction-in-progress back to prepayment in Note 16 - Construction-in-Progress of the Notes to the Company’s Consolidated Financial Statements,” v) “expansions of two tables of sales to and purchases from the JV Company in Note 24 - Summarized Information of Investment in the JV Company of the Notes to the Company’s Consolidated Financial Statements from two years to three years,” vi) “the removal of “unaudited” labels from certain tables in Note 20 - Taxes of the Notes to the Company’s Consolidated Financial Statements,” and vii) amendments to the Company’s “unaudited quarterly data for the first three quarters ended December 31, 2016.”

### **JURISDICTION AND VENUE**

7. The federal law claims asserted herein arise under §§ 10(b) and 20(a) of the Exchange Act, 15 U.S.C. § 78j(b) and 78t(a), and Rule 10b-5 promulgated thereunder by the SEC, 17 C.F.R. § 240.10b-5, as well as under the common law.

8. This Court has subject matter jurisdiction over this action pursuant to 28 U.S.C. §1331 and § 27 of the Exchange Act, 15 U.S.C. § 78aa.

9. This Court has jurisdiction over each Defendant named herein because each Defendant is an individual or corporation who has sufficient minimum contacts with this District so as to render the exercise of jurisdiction by the District Court permissible under traditional notions of fair play and substantial justice.

10. Venue is proper in this District pursuant to § 27 of the Exchange Act, 15 U.S.C. § 78aa and 28 U.S.C. § 1931(b), as as the Company’s shares are traded on the NASDAQ stock exchange in this District and the Company maintains offices in this District.

11. In connection with the acts, omissions, conduct and other wrongs in this Complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce

including but not limited to the United States mail, interstate telephone communications and the facilities of the national securities exchange.

### **PARTIES**

12. Plaintiff Victor Reichenstein was a shareholder of Kandi during the Class Period. As set forth in the accompanying certification, incorporated by reference herein, Plaintiff acquired and held shares of the Company at artificially inflated prices during the Class Period and has been damaged by the revelation of the Company's material misrepresentations and material omissions.

13. Defendant Kandi Technologies Group, Inc. is a Delaware corporation headquartered in Jinhua city, Zhejiang Province, China, and offices also located at 230 Park Avenue, 10th Floor, New York, New York 10169. The Company's primary business operations are the design, development, manufacturing and commercialization of electric vehicles, electric vehicle parts and off-road vehicles, which are distributed in China and global markets. The Company trades on the NASDAQ stock exchange under the ticker symbol "KNDI."

14. Defendant Hu Xiaoming ("Hu") is the President and Chief Executive Officer of Kandi and has held those roles throughout the Class Period.

15. Defendant Wang Cheng ("Wang") was the CFO of Kandi from May 1, 2015, until his resignation on November 14, 2016.

16. Defendant Zhu Xiaoying ("Zhu") was the CFO of Kandi until April 30, 2015.

17. Collectively, Hu, Wang, and Zhu are referred to throughout this complaint as the "Individual Defendants."

18. The Individual Defendants, because of their positions at the Company, possessed the power and authority to control the content and form of the Company's annual reports, quarterly reports, press releases, investor presentations, and other materials provided to the SEC, securities analysts, money and portfolio managers and investors, *i.e.*, the market. The Individual Defendants

authorized the publication of the documents, presentations, and materials alleged herein to be misleading prior to its issuance and had the ability and opportunity to prevent the issuance of these false statements or to cause them to be corrected. Because of their positions within the Company and their access to material non-public information available to them but not to the public, the Individual Defendants knew that the adverse facts specified herein had not been disclosed to and were being concealed from the public and that the positive representations being made were false and misleading. The Individual Defendants are liable for the false statements pleaded herein.

### **SUBSTANTIVE ALLEGATIONS**

#### **A. Materially False And Misleading Statements Made During the Class Period**

19. The Class Period begins on May 12, 2014. On that day, Kandi filed with the SEC its Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, providing the Company's consolidated financial results for that period.

20. The Company's May 12, 2014 10-Q also summarized the Company's investment in the JV Company:

#### **NOTE 21 –SUMMARIZED INFORMATION OF INVESTMENT IN THE JV COMPANY**

The Company's investment in the JV Company, which was organized in March 2013, is accounted for using the equity method of accounting. As of March 31, 2014, the JV Company had consolidated the following: (1) 100% interest in Kandi Changxing; (2) 100% interest in Kandi Jinhua; (3) 100% interest in JiHeKang; (4) 100% interest in Kandi Shanghai; (5) 100% interest in Kandi Jiangsu, and 19% interest in the Service Company.

The combined results of operations and financial position of the JV Company are summarized below:

	<b><u>Three months ended March 31,</u></b>	
	<b><u>2014</u></b>	<b><u>2013</u></b>
Condensed income statement information:		
Net sales	\$ 34,860,044	\$ -
Gross income (loss)	4,287,928	-
Net income (loss)	1,656,824	-

Company's equity in net income of JV	828,412	-
--------------------------------------	---------	---

	<b>March 31, 2014</b>	<b>December 31, 2013</b>
Condensed balance sheet information:		
Current assets	\$ 93,135,402	\$ 108,139,053
Noncurrent assets	160,094,993	146,130,466
Total assets	<u>\$ 253,230,395</u>	<u>\$ 254,269,519</u>
Current liabilities	92,401,059	93,772,816
Noncurrent liabilities	-	-
Equity	160,829,336	160,496,703
Total liabilities and equity	<u>\$ 253,230,395</u>	<u>\$ 254,269,519</u>

Note: The following table illustrates the captions used in the Company's Income Statements for its equity basis investments in the JV Company.

Changes in the Company's investment in JV Company for the three months ended March 31, 2014 and 2013 are as follows:

	<b>Three Months Ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
Investment in JV Company, beginning of the period,	\$ 79,331,930	\$ -
Income (loss) from equity investment	828,412	-
Intercompany transaction unrealized gain effects	899,943	-
Exchange difference	(661,106)	-
Investment in JV Company, end of the period	<u>\$ 80,399,179</u>	<u>\$ -</u>

The following tables summarize the effects of transactions, including sales and purchases with the JV Company:

	<b>Three Months Ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
Sales to Kandi Changxing.	\$ 17,226,293	\$ -
Sales to Kandi Shanghai.	6,901,779	-
Sales to Service Company	594,210	-
Purchase from Kandi Changxing	45,422	
Purchase from Service Company	<u>1,509,304</u>	<u>-</u>

As of March 31, 2014 and December 31, 2013, significant balances with the JV Company were as follows:

	<b>March 31,</b>	<b>December 31,</b>
	<b>2014</b>	<b>2013</b>
Due from the JV Company	\$ 4,087,989	\$ 4,121,688
Due from Kandi Changxing	14,459,553	1,576,408
Due from Kandi Shanghai	6,985,818	-
Due (to) Kandi Jinhua	(3,001,103)	(2,780,504)
Due (to) the Service Company	(906,499)	-
	<u>\$ 21,625,758</u>	<u>\$ 2,917,592</u>

21. The Company's May 12, 2014 Form 10-Q was signed by Defendants Hu and Zhu and contained certifications pursuant to the Sarbanes-Oxley Act of 2002 ("SOX"), signed by Hu and Zhu, who each certified:

1. I have reviewed this report on Form 10-Q of Kandi Technologies Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

22. On August 11, 2014, Kandi filed with the SEC its Quarterly Report on Form 10-Q for the three month period ended June 30, 2015, providing the Company's consolidated financial results for that period.

23. The Company's August 11, 2014 Form 10-Q also touted the Company's efforts to address issues with its internal control over financial reporting, stating, in pertinent part:

During the first six months of 2014, we took the initiative to enhance the effective and timely communication between our internal audit department and our Audit Committee. We reorganized our internal audit department so that the head of such department reports directly to the Audit Committee on any reportable issue to enhance the independence and objectivity of the internal audit function. In addition, the internal audit department revisited the policies and procedures of internal audit and made modification to keep internal audit workflow in compliance with SEC requirements. On May 30, 2014, the Audit Committee of the Board of Directors held a special meeting and approved the new Internal Audit Activity Charter.

24. The Company's August 11, 2014 Form 10-Q was signed by Defendants Hu and Zhu and contained certifications pursuant to SOX, signed by Hu and Zhu, substantially similar to the certifications described in ¶21, supra.

25. On November 10, 2014, Kandi filed with the SEC its Quarterly Report on Form 10-Q for the three month period ended September 30, 2014, providing the Company's consolidated financial results for that period.



26. The Company's November 10, 2014 Form 10-Q again assured investors that the Company had, and was continuing to improve, its internal control over financial reporting:

We have evaluated, under the supervision of our Chief Executive Officer ("CEO") and our Chief Financial Officer ("CFO"), the effectiveness of disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of September 30, 2014. ***Based on this evaluation, our CEO and CFO concluded that as of the end of the period covered by this report, our disclosure controls and procedures were effective.***

\*\*\*\*

During the quarter ended September 30, 2014, we continued to implement the remediation measures according to our new Internal Audit Activity Charter that were approved on May 30, 2014. In addition, the Audit Committee conducted a self-assessment to assess our effectiveness in oversight of management and updated the Audit Committee Charter.

Other than those set forth above, there was no change to our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

(emphasis added).

27. The Company's November 10, 2014 Form 10-Q was signed by Defendants Hu and Zhu and contained certifications pursuant to SOX, signed by Hu and Zhu, substantially similar to the certifications described in ¶21, supra.

28. On March 16, 2015, Kandi filed with the SEC its Annual Report on Form 10-K for the year ended December 31, 2014, providing its consolidated financial data for that period:

**KANDI TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

**ASSETS**

	<b><u>December 31,</u></b> <b><u>2014</u></b>	<b><u>December 31,</u></b> <b><u>2013</u></b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 26,379,460	\$ 12,762,369

Restricted cash	13,000,731	1,636
Accounts receivable	15,736,805	31,370,862
Inventories (net of provision for slow moving inventory of \$315,584 and \$352,734 as of December 31, 2014 and 2013 respectively)	15,403,840	9,187,714
Notes receivable	9,060,441	13,794,094
Other receivables	238,567	556,904
Prepayments and prepaid expenses	120,761	505,513
Due from employees	34,475	34,272
Advances to suppliers	6,901,505	8,867,074
Amount due from JV Company, net	51,450,612	2,917,592
Deferred tax	-	13,706
Total Current Assets	138,327,197	80,011,736
<b>LONG-TERM ASSETS</b>		
Plant and equipment, net	26,215,356	29,333,516
Land use rights, net	15,649,152	14,453,191
Construction in progress	58,510,051	16,356
Deferred taxes	-	81,076
Investment in associated company	-	96,838
Investment in JV Company	83,309,095	79,331,930
Goodwill	322,591	322,591
Intangible assets	577,401	659,496
Other long-term assets	162,509	-
Total Long-Term Assets	184,746,155	124,294,994
<b>TOTAL ASSETS</b>	<b>\$ 323,073,352</b>	<b>\$ 204,306,730</b>

See notes to consolidated financial statements

**KANDI TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

**LIABILITIES AND STOCKHOLDERS' EQUITY**

	<b>December 31, 2014</b>	<b>December 31, 2013</b>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 45,772,481	\$ 22,843,143
Other payables and accrued expenses	5,101,740	2,422,613
Short-term bank loans	35,589,502	34,020,281
Customer deposits	2,630,723	44,404
Notes payable	5,702,121	16,683,023
Income tax payable	1,835,685	1,362,828
Due to employees	15,787	10,297
Deferred taxes	230,864	-
Financial derivate - liability	2,245,610	9,256,827
Total Current Liabilities	99,124,513	86,643,416
<b>LONG-TERM LIABILITIES</b>		
Deferred tax	2,266,725	1,009,477
Bond payable	-	13,084,724
Financial derivatives - liability	10,097,275	15,042,994
Total Long-Term Liabilities	12,364,000	29,137,195
<b>TOTAL LIABILITIES</b>	<b>111,488,513</b>	<b>115,780,611</b>

## STOCKHOLDERS' EQUITY

Common stock, \$0.001 par value; 100,000,000 shares authorized;

46,274,855 and 37,012,904 shares issued and outstanding at December 31, 2014 and 2013, respectively	46,275	37,013
Additional paid-in capital	190,258,037	76,754,774
Retained earnings (the restricted portion is \$4,172,324 and \$3,807,551 at December 31, 2014 and 2013, respectively)	16,390,424	4,119,086
Accumulated other comprehensive income	4,890,103	7,615,246
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>211,584,839</b>	<b>88,526,119</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 323,073,352</b>	<b>\$ 204,306,730</b>

See notes to consolidated financial statements

**KANDI TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012**

	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>REVENUES, NET</b>	170,229,00 \$ 6 \$	94,536,04 5 \$	64,513,67 0
<b>COST OF GOODS SOLD</b>	(146,825,07 3)	(72,793,51 7)	(51,620,28 0)
<b>GROSS PROFIT</b>	<u>23,403,933</u>	<u>21,742,528</u>	<u>12,893,390</u>
<b>OPERATING EXPENSES:</b>			
Research and development	(2,755,637)	(3,728,730 )	(2,877,283)
Selling and marketing	(1,345,588)	(399,504 16,056,10)	(455,983)
General and administrative	(14,058,548)	7)	(4,250,832)
Total operating expenses	<u>(18,159,773)</u>	<u>(20,184,34 1)</u>	<u>(7,584,098)</u>
<b>INCOME FROM OPERATIONS</b>	<u>5,244,160</u>	<u>1,558,187</u>	<u>5,309,292</u>
<b>OTHER INCOME (EXPENSE):</b>			
Interest income	1,701,121	1,516,477	2,658,104
Interest (expense)	(3,480,646)	(4,395,353) (16,647,28)	(2,775,891)
Change in fair value of financial instruments	6,531,308	3)	1,986,063
Government grants	288,498	228,396	132,139
Share of (loss) in associated companies	(54,308)	(69,056)	(69,429)
Share of profit (loss) after tax of JV	4,490,266	(2,414,354)	-
Other income (expense), net	<u>(34,649)</u>	<u>676,257</u>	<u>332,936</u>
Total other income (expense), net	9,441,590	(21,104,91 6)	2,263,922
<b>INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES</b>	<u>14,685,750</u>	<u>(19,546,72 9)</u>	<u>7,573,214</u>

<b>PROVISION FOR INCOME TAXES</b>	(2,414,412)	(1,593,994)	(1,523,735)
<b>NET INCOME (LOSS)</b>	<u>12,271,338</u>	<u>(21,140,723)</u>	<u>6,049,479</u>
<b>OTHER COMPREHENSIVE INCOME</b>			
Foreign currency translation	<u>(2,725,143)</u>	<u>2,112,902</u>	<u>424,623</u>
<b>COMPREHENSIVE INCOME (LOSS)</b>	<u>\$ 9,546,195</u>	<u>\$ (19,027,821)</u>	<u>\$ 6,474,102</u>
<b>WEIGHTED AVERAGE SHARES OUTSTANDING BASIC</b>	<u>42,583,495</u>	<u>34,707,973</u>	<u>29,439,328</u>
<b>WEIGHTED AVERAGE SHARES OUTSTANDING DILUTED</b>	<u>42,715,818</u>	<u>34,707,973</u>	<u>29,677,325</u>
<b>NET INCOME (LOSS) PER SHARE, BASIC</b>	<u>\$ 0.29</u>	<u>\$ (0.61)</u>	<u>\$ 0.21</u>
<b>NET INCOME (LOSS) PER SHARE, DILUTED</b>	<u>\$ 0.29</u>	<u>\$ (0.61)</u>	<u>\$ 0.20</u>

\*\*\*\*

**KANDI TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOW**  
**FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012**

	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income (loss)	\$ 12,271,338	\$ (21,140,723)	\$ 6,049,479
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	5,571,465	7,708,923	4,978,626
Assets impairments	-	355,876	465,199
Deferred taxes	1,579,855	876,255	92,521
Change in value of financial instruments	(6,531,308)	16,647,283	(1,986,063)
Loss in investment in associated company	54,308	69,056	69,429
Share of profit after tax of JV	(4,490,266)	2,414,354	-
Decrease in reserve for fixed assets	(302,023)	-	-
Option cost	-	-	19,053
<b>Changes in operating assets and liabilities, net of effects of acquisition:</b>			
<b>(Increase) Decrease In:</b>			
	15,445,962		(20,513,099)
Accounts receivable		3,251,168	
Inventories	(6,280,502)	(1,287,045)	(904,355)
Other receivables	315,071	(38,491)	1,955,055
Due from employees	5,139	10,797	37,117
Prepayments and prepaid expenses	(5,360,637)	(3,810,447)	(4,285,489)
Amount due from JV	(48,593,522)	(2,877,972)	-
<b>Increase (Decrease) In:</b>			

Accounts payable	23,095,825	13,699,528	3,566,354
Other payables and accrued liabilities	2,694,689	(746,838)	(50,333)
Customer deposits	2,588,830	(254,151)	(740,419)
Income tax payable	482,020	651,124	525,030
Due to related party	-	(841,251)	-
Net cash (used in) provided by operating activities	<u>(7,453,756)</u>	<u>14,687,446</u>	<u>(10,721,895)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

(Purchases)/Disposal of plant and equipment, net	(2,101,355)	(158,830)	(9,072,230)
Purchases of land use rights	(1,668,534)	-	-
Purchases of construction in progress	(50,891,170)	(16,134)	-
Deposit for acquisition	-	-	(24,383,529)
Asset acquisition, net of deposit	-	(39,673,000)	-
Disposal of subsidiary	(96,299)	64,535,177	-
Issuance of notes receivable	(24,705,489)	(4,174,247)	(1,011,821)
Repayments of notes receivable	29,354,592	311,844	29,603,171
Investment in JV	-	(80,668,972)	-
Cash acquired in acquisition	-	-	112,551
Net cash (used in) investing activities	<u>(50,108,255)</u>	<u>(59,844,162)</u>	<u>(4,751,858)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Restricted cash	(13,010,291)	16,135,044	(9,143,907)
Proceeds from short-term bank loans	48,306,743	52,918,845	41,504,215
Repayments of short-term bank loans	(46,517,604)	(52,596,170)	(45,539,128)
Proceeds from notes payable	18,718,944	83,251,992	40,491,531
Repayments of notes payable	(29,602,112)	(92,609,593)	(21,063,559)
Proceeds from bond payable	-	12,907,035	12,658,548
Repayments of bond payable	(13,011,917)	(12,907,035)	-
Fund raising through issuing common stock and warrants	78,358,991	26,387,498	-
Option exercise, stock award & other financing	8,431,247	9,659,103	1,258,231
Warrant exercise	21,101,039	3,171,259	1,672,739
Common stock issued for acquisition, net of cost of capital	-	-	3,784,149
Net cash provided by financing activities	<u>72,775,040</u>	<u>46,317,978</u>	<u>25,622,819</u>

**NET INCREASE IN CASH AND**

<b>CASH EQUIVALENTS</b>	<b>15,213,029</b>	<b>1,161,262</b>	<b>10,149,066</b>
Effect of exchange rate changes on cash	(1,595,938)	(533,989)	(308,322)
Cash and cash equivalents at beginning of year	<u>12,762,369</u>	<u>12,135,096</u>	<u>2,294,352</u>

**CASH AND CASH EQUIVALENTS AT END OF YEAR**

**\$ 26,379,460    \$ 12,762,369    \$ 12,135,096**

**SUPPLEMENTARY CASH FLOW INFORMATION**

Income taxes paid	<u>\$ 1,932,392</u>	<u>\$ 942,870</u>	<u>\$ 998,706</u>
Interest paid	<u>\$ 3,475,893</u>	<u>\$ 3,565,496</u>	<u>\$ 2,570,691</u>
Issuance of Common stock for acquisition	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,616,416</u>

**SUPPLEMENTAL NON-CASH DISCLOSURES:**

Prepayments transferred to construction in progress	<u>\$ 7,652,959</u>	<u>\$ -</u>	<u>\$ -</u>
Construction in progress transferred to plant and equipment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,078,637</u>

29. The Company's March 16, 2015 Form 10-K assured investors of the adequacy of the Company's internal financial controls, stating, in pertinent part:

Management conducted an assessment of the effectiveness of our system of internal control over financial reporting as of December 31, 2014, the last day of our fiscal year. This assessment was based on criteria established in the framework Internal Control—Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and included an evaluation of elements such as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies, and our overall control environment. ***Based on management's evaluation under the 2013 COSO framework, management concluded that the Company's internal controls over financial reporting were effective as of December 31, 2014.***

(emphasis added).

30. The Company's March 16, 2015 Form 10-Q was signed by Defendants Hu and Wang and contained certifications pursuant to SOX, signed by Hu and Wang, substantially similar to the certifications described in ¶21, *supra*.

31. On May 11, 2015, Kandi filed its Quarterly Report with the SEC on form 10-Q for the period ended March 31, 2015, providing the Company's unaudited, consolidated financial data for that period and again assuring investors of the Company's internal financial controls, stating that there "was no change to our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting."

32. The Company's May 11, 2015 Form 10-Q was signed by Defendants Hu and Wang and contained certifications pursuant to SOX, signed by Hu and Wang, substantially similar to the certifications described in ¶21, *supra*.

33. On August 10, 2015, Kandi filed its Quarterly Report with the SEC on form 10-Q for the period ended June 30, 2015, providing the Company's unaudited, consolidated financial

data for that period and again assuring investors of the Company's internal financial controls, stating that there "was no change to our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting."

34. The Company's August 10, 2015 Form 10-Q was signed by Defendants Hu and Wang and contained certifications pursuant to SOX, signed by Hu and Wang, substantially similar to the certifications described in ¶21, *supra*.

35. On November 9, 2015, Kandi filed its Quarterly Report with the SEC on form 10-Q for the period ended September 30, 2015, providing the Company's unaudited, consolidated financial data for that period and again assuring investors of the Company's internal financial controls, stating that there "was no change to our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting."

36. The Company's November 9, 2015 Form 10-Q was signed by Defendants Hu and Wang and contained certifications pursuant to SOX, signed by Hu and Wang, substantially similar to the certifications described in ¶21, *supra*.

37. On March 14, 2016, Kandi filed with the SEC its Annual Report on Form 10-K for the year ended December 31, 2015, providing its consolidated financial data for that period:

**KANDI TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
<b>Current assets</b>		
Cash and cash equivalents	\$ 16,738,559	\$ 26,379,460
Restricted cash	16,172,009	13,000,731
Short term investment	1,613,727	-
Accounts receivable	8,136,421	15,736,805
Inventories (net of provision for slow moving inventory of 485,901 and 315,584 as of December 31, 2015 and December 31, 2014, respectively)	17,773,679	15,403,840
Notes receivable	13,033,315	9,060,441
Other receivables	332,922	238,567
Prepayments and prepaid expense	181,534	120,761
Due from employees	34,434	34,475
Advances to suppliers	71,794	6,901,505
Amount due from JV Company, net	76,172,471	51,450,612
Amount due from related party	40,606,162	-
<b>TOTAL CURRENT ASSETS</b>	<u>190,867,027</u>	<u>138,327,197</u>
<b>LONG-TERM ASSETS</b>		
Plant and equipment, net	20,525,126	26,215,356
Land use rights, net	12,935,121	15,649,152
Construction in progress	54,368,753	58,510,051
Long Term Investment	1,463,182	-
Investment in JV Company	90,337,899	83,309,095
Goodwill	322,591	322,591
Intangible assets	495,306	577,401
Other long term assets	154,019	162,509
<b>TOTAL Long-Term Assets</b>	<u>180,601,997</u>	<u>184,746,155</u>
<b>TOTAL ASSETS</b>	<u>\$ 371,469,024</u>	<u>\$ 323,073,352</u>
<b>CURRENT LIABILITIES</b>		
Accounts payables	\$ 73,957,969	\$ 45,772,481
Other payables and accrued expenses	9,544,909	5,101,740
Short-term loans	36,656,553	35,589,502
Customer deposits	94,026	2,630,723
Notes payable	3,850,478	5,702,121
Income tax payable	624,276	1,835,685
Due to employees	9,423	15,787
Deferred taxes liabilities	2,374,924	230,864
Financial derivate - liability	3,823,590	2,245,610
Deferred income	13,726	-
<b>Total Current Liabilities</b>	<u>130,949,874</u>	<u>99,124,513</u>
<b>LONG-TERM LIABILITIES</b>		
Deferred taxes liabilities	1,593,582	2,266,725
Financial derivate - liability	-	10,097,275
<b>Total Long-Term Liabilities</b>	<u>1,593,582</u>	<u>12,364,000</u>



<b>TOTAL LIABILITIES</b>	<u>132,543,456</u>	<u>111,488,513</u>
<b>STOCKHOLDER'S EQUITY</b>		
Common stock, \$0.001 par value; 100,000,000 shares authorized; 46,964,855 and 46,274,855 shares issued and outstanding at December 31, 2015 and December 31, 2014, respectively	46,965	46,275
Additional paid-in capital	212,564,334	190,258,037
Retained earnings (the restricted portion is \$4,172,324 and \$4,172,324 at December 31, 2015 and December 31, 2014, respectively)	31,055,919	16,390,424
Accumulated other comprehensive income(loss)	(4,741,650)	4,890,103
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<u>238,925,568</u>	<u>211,584,839</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 371,469,024</u>	<u>\$ 323,073,352</u>

See notes to consolidated financial statements

**KANDI TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND**  
**COMPREHENSIVE INCOME (LOSS)**  
**FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013**

	<b>Years Ended</b>		
	<u>December 31, 2015</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
<b>REVENUES, NET</b>	<b>\$ 201,069,173</b>	<b>\$ 170,229,006</b>	<b>\$ 94,536,045</b>
<b>COST OF GOODS SOLD</b>	<b>172,649,955</b>	<b>146,825,073</b>	<b>72,793,517</b>
<b>GROSS PROFIT</b>	<b>28,419,218</b>	<b>23,403,933</b>	<b>21,742,528</b>
<b>OPERATING EXPENSES:</b>			
Research and development	3,482,511	2,755,637	3,728,730
Selling and marketing	633,863	1,345,588	399,504
General and administrative	28,255,267	14,058,548	16,056,107
<b>Total Operating Expenses</b>	<b>32,371,641</b>	<b>18,159,773</b>	<b>20,184,341</b>
<b>INCOME(LOSS) FROM OPERATIONS</b>	<b>(3,952,423)</b>	<b>5,244,160</b>	<b>1,558,187</b>
<b>OTHER INCOME(EXPENSE):</b>			
Interest income	3,138,717	1,701,121	1,516,477
Interest expense	(2,214,635)	(3,480,646)	(4,395,353)
Change in fair value of financial instruments	8,519,295	6,531,308	(16,647,283)
Government grants	1,645,032	288,498	228,396
Share of profit (loss) in associated companies	-	(54,308)	(69,056)
Share of profit after tax of JV	11,841,855	4,490,266	(2,414,354)
Other income, net	1,814,882	(34,649)	676,257

Total other income, net	24,745,146	9,441,590	(21,104,916)
<b>INCOME BEFORE INCOME TAXES</b>	20,792,723	14,685,750	(19,546,729)
INCOME TAX EXPENSE	(6,127,228)	(2,414,412)	(1,593,994)
<b>NET INCOME</b>	<b>14,665,495</b>	<b>12,271,338</b>	<b>(21,140,723)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Foreign currency translation	(9,631,753)	(2,725,143)	2,112,902
<b>COMPREHENSIVE INCOME(LOSS)</b>	<b>\$ 5,033,742</b>	<b>\$ 9,546,195</b>	<b>\$ (19,027,821)</b>
WEIGHTED AVERAGE SHARES OUTSTANDING BASIC	46,744,718	42,583,495	34,707,973
WEIGHTED AVERAGE SHARES OUTSTANDING DILUTED	46,925,554	42,715,818	34,707,973
NET INCOME PER SHARE, BASIC	\$ 0.31	\$ 0.29	\$ (0.61)
NET INCOME PER SHARE, DILUTED	\$ 0.31	\$ 0.29	\$ (0.61)

\*\*\*\*

**KANDI TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOW**  
**FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013**

	<b>Years Ended</b>		
	<u>December 31, 2015</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income(loss)	\$ 14,665,495	\$ 12,271,338	\$ (21,140,723)
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	5,788,780	5,571,465	7,708,923
Assets Impairments	194,366	-	355,876
Deferred taxes	1,446,345	1,579,855	876,255
Change in fair value of financial instruments	(8,519,295)	(6,531,308)	16,647,283
Loss (income) in investment in associated companies	-	54,308	69,056
Share of profit after tax of JV Company	(11,841,855)	(4,490,266)	2,414,354
Decrease in reserve for fixed assets	-	(302,023)	-
Stock Compensation cost	22,306,987	-	-
<b>Changes in operating assets and liabilities, net of effects of acquisition:</b>			
<b>(Increase) Decrease In:</b>			
Accounts receivable	7,052,626	15,445,962	3,251,168
Inventories	(3,497,460)	(6,280,502)	(1,287,045)

Other receivables	(193,954)	315,071	(38,491)
Due from employee	(7,596)	5,139	10,797
Prepayments and prepaid expenses	6,664,779	(5,360,637)	(3,810,447)
Amount due from JV Company	(28,519,360)	(48,593,522)	(2,877,972)

**Increase (Decrease) In:**

Accounts payable	31,814,545	23,095,825	13,699,528
Other payables and accrued liabilities	5,300,095	2,694,689	(746,838)
Customer deposits	(2,496,382)	2,588,830	(254,151)
Income Tax payable	(1,039,187)	482,020	651,124
Due from related party	(42,249,905)	-	(841,251)

**Net cash (used in ) provided by  
operating activities**

\$	(3,130,976)	\$	(7,453,756)	\$	14,687,446
----	-------------	----	-------------	----	------------

**CASH FLOWS FROM INVESTING  
ACTIVITIES:**

(Purchases)/Disposal of plant and equipment, net	(827,059)	(2,101,355)	(158,830)
(Purchases)/Disposal of land use rights and other intangible assets	1,589,165	(1,668,534)	-
(Purchases)/Disposal of construction in progress	1,128,443	(50,891,170)	(16,134)
Deposit for acquisition	-	-	(39,673,000)
Disposal of associated company	-	(96,299)	64,535,177
Issuance of notes receivable	(131,852,319)	(24,705,489)	(4,174,247)
Repayment of notes receivable	127,226,115	29,354,592	311,844
Long Term Investment	(1,522,411)	-	(80,668,972)
Short Term Investment	(1,679,051)	-	-
Cash acquired in acquisition	-	-	-

**Net cash provided by (used in)  
investing activities**

\$	(5,937,117)	\$	(50,108,255)	\$	(59,844,162)
----	-------------	----	--------------	----	--------------

**CASH FLOWS FROM FINANCING  
ACTIVITIES:**

Restricted cash	(4,006,346)	(13,010,291)	16,135,044
Proceeds from short-term bank loans	50,640,214	48,306,743	52,918,845
Repayments of short-term bank loans	(47,595,391)	(46,517,604)	(52,596,170)
Proceeds from notes payable	13,781,830	18,718,944	83,251,992
Repayment of notes payable	(15,398,471)	(29,602,112)	(92,609,593)
Proceeds from bond payable	-	-	12,907,035
Repayment of bond payable	-	(13,011,917)	(12,907,035)
Fund raising through issuing common stock and warrants	-	78,358,991	26,387,498
Option exercise, stock awards & other financing	-	8,431,247	9,659,103
Warrant exercise	-	21,101,039	3,171,259
Common stock issued for acquisition, net of cost of capital	-	-	-

**Net cash (used in) provided by  
financing activities**

\$	(2,578,164)	\$	72,775,040	\$	46,317,978
----	-------------	----	------------	----	------------

<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
	(11,646,257)	15,213,029	1,161,262
Effect of exchange rate changes on cash	2,005,356	(1,595,938)	(533,989)
Cash and cash equivalents at beginning of year	26,379,460	12,762,369	12,135,096
<b><u>CASH AND CASH EQUIVALENTS AT END OF PERIOD</u></b>			
	16,738,559	26,379,460	12,762,369
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>			
Income taxes paid	2,496,654	1,932,392	942,870
Interest paid	2,188,223	3,475,893	3,565,496

38. The Company's March 14, 2016 Form 10-K also itemized the Company's taxes and tax liabilities:

#### NOTE 20 – TAXES

##### (a) Corporation Income Tax

In accordance with the relevant tax laws and regulations of the PRC, applicable corporate income tax ("CIT") rate is 25%. However, the Kandi Vehicle, qualified as a high technology company in China, was entitled to pay a reduced income tax rate of 15%. The applicable corporate income tax rate of each of the Company's three subsidiaries, Kandi New Energy, Yongkang Scrou and Kandi Hainan, the JV Company and its subsidiaries and the Service Company was 25%.

The Company, qualified as a high technology company in China, was entitled to pay a reduced CIT rate of 15%. After combining with the research and development tax credit of 25% on certain qualified research and development expenses, the final effective reduced income tax rate was 16.88%. The combined tax benefits were 51.26%. The actual effective income tax rate was reduced from 25% to 12.19% of the 2015 taxable corporate income.

According to the PRC CIT reporting system, the CIT sales cut-off base is concurrent with the value-added tax ("VAT"), which should reported to the State Administration of Taxation ("SAT") on a quarterly basis. Since the VAT and CIT are accounted for on a VAT tax basis that recorded all sales on a "State provided official invoices" reporting system, the Company is reporting the CIT according to the SAT prescribed tax reporting rules. Under the VAT tax reporting system, sales cut-off is not done on an accrual basis but rather on a VAT taxable reporting basis. Therefore, when the Company adopted U.S. GAAP using an accrual basis, the sales cut-off CIT timing (due to the VAT reporting system) creates a temporary sales cut-off timing difference. This difference is reflected in the deferred tax assets or liabilities calculations on the income tax estimate reported elsewhere on the report.

Effective January 1, 2007, the Company adopted ASC 740, Income Taxes. The interpretation addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements.

Under ASC 740, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. ASC 740 also provides guidance on de-recognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures. As of December 31, 2015, the Company did not have a liability for unrecognized tax benefits. The Company files income tax returns to the U.S. Internal Revenue Services (“IRS”) and states where the Company has operations. The Company is subject to U.S. federal or state income tax examinations by the IRS and relevant state tax authorities for years after 2006. During the periods open to examination, the Company has net operating loss carry forwards (“NOLs”) for U.S. federal and state tax purposes that have attributes from closed periods. Since these NOLs may be utilized in future periods, they remain subject to examination. The Company also files certain tax returns in China. As of December 31, 2015, the Company was not aware of any pending income tax examinations by U.S. and China tax authorities. The Company's policy is to record interest and penalties on uncertain tax provisions as income tax expense. As of December 31, 2015, the Company has no accrued interest or penalties related to uncertain tax positions. The Company has not recorded a provision for U.S. federal income tax for the year ended December 31, 2015 due to the net operating loss in 2015 and an accumulated net operating loss carry forward from prior years in the United States.

Income tax expenses for the years ended December 31, 2015, 2014 and 2013 is summarized as follows:

	<b>For the Years Ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Current:			
Provision for CIT	\$ 6,127,228	\$ 2,414,412	\$ 1,593,994
Provision for Federal Income Tax	-	-	-
Deferred:			
Provision for CIT	-	-	-
Income tax expense (benefit)	<u>\$ 6,127,228</u>	<u>\$ 2,414,412</u>	<u>\$ 1,593,994</u>

The Company's income tax expense differs from the “expected” tax expense for the years ended December 31, 2015, 2014 and 2013 (computed by applying the U.S. Federal Income Tax rate of 34% and PRC Corporation Income Tax rate of 25%, respectively to income before income taxes) as follows:

	For the Years Ended December 31, (Unaudited)		
	2015	2014	2013
Computed "expected" expense	\$ (4,013,791)	\$ 929,405	\$ (1,381,713)
Favorable tax rate	(912,548)	(611,672)	(1,378,429)
Permanent differences	3,408,181	(929,318)	361,230
Valuation allowance	7,645,386	3,025,997	3,992,906
Income tax expense (benefit)	<u>\$ 6,127,228</u>	<u>\$ 2,414,412</u>	<u>\$ 1,593,994</u>

The tax effects of temporary differences that give rise to the Company's net deferred tax assets and liabilities as of December 31, 2015, 2014 and 2013 are summarized as follows:

	December 31, 2015 (Unaudited)	December 31, 2014	December 31, 2013
Current portion:			
Deferred tax assets (liabilities):			
Expense	\$ (272,953)	\$ (80,016)	\$ 47,224
Subtotal	<u>(272,953)</u>	<u>(80,016)</u>	<u>47,224</u>
Deferred tax assets (liabilities):			
Sales cut-off difference derived from Value Added Tax reporting system to calculate PRC Corporation Income Tax in accordance with the	290,850	(26,226)	(33,518)
PRC State Administration of Taxation			
Other	(2,392,821)	(124,622)	0
Subtotal	<u>(2,101,971)</u>	<u>(150,848)</u>	<u>(33,518)</u>
Total deferred tax assets (liabilities) – current portion	<u>(2,374,924)</u>	<u>(230,864)</u>	<u>13,706</u>
Non-current portion:			
Deferred tax assets (liabilities):			
Depreciation	(353,115)	(551,697)	81,076
Loss carried forward	7,645,386	3,025,997	3,992,906
Valuation allowance	(7,645,386)	(3,025,997)	(3,992,906)
Subtotal	<u>(353,115)</u>	<u>(551,697)</u>	<u>81,076</u>
Deferred tax liabilities:			
Accumulated other comprehensive gain	(1,240,467)	(1,715,028)	(1,009,477)
Subtotal	<u>(1,240,467)</u>	<u>(1,715,028)</u>	<u>(1,009,477)</u>
Total deferred tax assets – non-current portion	<u>(1,593,582)</u>	<u>(2,266,725)</u>	<u>(928,401)</u>
Net deferred tax assets (liabilities)	<u>\$ (3,968,506)</u>	<u>\$ (2,497,589)</u>	<u>\$ (914,695)</u>

## (b) Tax Holiday Effect

For the years ended December 31, 2015, 2014 and 2013, the PRC corporate income tax rate was 25%. Certain subsidiaries of the Company are entitled to tax exemptions (tax holidays) for the years ended December 31, 2015, 2014 and 2013.

The combined effects of the income tax expense exemptions and reductions available to the Company for the years ended December 31, 2015, 2014 and 2013 are as follows:

	For the Years Ended December 31, (Unaudited)		
	2015	2014	2013
Tax benefit (holiday) credit	\$ 912,548	\$ 611,672	\$ 1,378,429
Basic net income per share effect	\$ 0.020	\$ 0.010	\$ 0.040

39. The Company's March 14, 2016 Form 10-K also provided information regarding the Company's construction-in-progress accounting:

## NOTE 16 - CONSTRUCTION-IN-PROGRESS

As of December 31, 2015, a total amount of advances to a supplier of RMB 353,000,000, or \$54,368,753, made by Kandi Hainan to Nanjing Shangdong Auto Technologies Co., Ltd. ("Nanjing Shangdong") for equipment purchases was included in Construction in Process ("CIP"). None of the CIP was transferred to property, plant and equipment as of December 31, 2015.

Because the government of Hainan Province is enforcing a new plan to centralize the manufacturing in designated industry park, the Wanning facility will be reallocated from Wanning City to Haikou City. In addition, all related expenses and assets disposal caused by the relocation were compensated by the local government.

No depreciation is provided for CIP until such time as the facility is completed and placed into operation.

The contractual obligation under CIP of the Company as of December 31, 2015 is as follow:

	Total CIP as of December 31, 2015	Contracted but not provided for	Total contract amount
Kandi Hainan facility	\$ 54,368,753	\$ 6,468,803	\$ 60,837,556
Total	\$ 54,368,753	\$ 6,468,803	\$ 60,837,556



As of December 31, 2015 and 2014, the Company had CIP amounting to \$54,368,753 and \$58,510,051, respectively.

No interest expense has been capitalized for CIP for the years ended December 31, 2015, 2014 and 2013, respectively.

40. The Company's March 14, 2016 Form 10-K further summarized the Company's investment in the JV Company:

#### NOTE 24 – SUMMARIZED INFORMATION OF INVESTMENT IN THE JV COMPANY

In March 2013, pursuant to a joint venture agreement (the "JV Agreement") entered into between Kandi Vehicles and Shanghai Maple Guorun Automobile Co., Ltd. ("Shanghai Guorun"), a 99%-owned subsidiary of Geely Automobile Holdings Ltd. ("Geely"), the parties established Zhejiang Kandi Electric Vehicles Co., Ltd. (the "JV Company") to develop, manufacture and sell electric vehicles ("EVs") and related auto parts. Each of Kandi Vehicles and Shanghai Guorun has 50% ownership interest in the JV Company. In the fourth quarter of 2013, Kandi Vehicles entered into an ownership transfer agreement with the JV Company pursuant to which Kandi Vehicles transferred 100% of its ownership in Kandi Changxing to the JV Company. As a result, the Company indirectly has 50% economic interest in Kandi Changxing through its 50% ownership interest in the JV Company after this transfer. In November 2013, Zhejiang Kandi Electric Vehicles Jinhua Co., Ltd. ("Kandi Jinhua") was formed by the JV Company. The JV Company has 100% ownership interest in Kandi Jinhua, and the Company, indirectly through its 50% ownership interest in the JV Company, has 50% economic interest in Kandi Jinhua. In November 2013, Zhejiang JiHeKang Electric Vehicle Sales Co., Ltd. ("JiHeKang") was formed by the JV Company. The JV Company has 100% ownership interest in JiHeKang, and the Company, indirectly through its 50% ownership interest in the JV Company, has 50% economic interest in JiHeKang. In December 2013, the JV Company entered into an ownership transfer agreement with Shanghai Guorun pursuant to which the JV Company acquired 100% ownership of Kandi Electric Vehicles (Shanghai) Co., Ltd. ("Kandi Shanghai"). As a result, Kandi Shanghai is a wholly-owned subsidiary of the JV Company, and the Company, indirectly through its 50% ownership interest in the JV Company, has 50% economic interest in Kandi Shanghai. In January 2014, Zhejiang Kandi Electric Vehicles Jiangsu Co., Ltd. ("Kandi Jiangsu") was formed by the JV Company. The JV Company has 100% ownership interest in Kandi Jiangsu, and the Company, indirectly through its 50% ownership interest in the JV Company, has 50% economic interest in Kandi Jiangsu. In addition, In July 2013, Zhejiang ZuoZhongYou Electric Vehicle Service Co., Ltd. (the "Service Company") was formed. The JV Company has a 19% ownership interest in the



Service Company. In March 2014, the JV Company changed its name to Kandi Electric Vehicles Group Co., Ltd. In August 2015, the JV Company transferred its shares of the Service Company to Shanghai Guorun and Kandi Vehicles for 9.5% respectively. As the result, the JV Company no longer has any ownership of the Service Company since the transfer. In November 2015, Hangzhou Puma Investment Management Co., Ltd. (“Puma Investment”) was formed by the JV Company. The JV Company has 50% ownership interest in Puma Investment and the Company, indirectly through its 50% ownership interest in the JV Company, has 25% economic interest in Puma Investment. In November 2015, Hangzhou JiHeKang Electric Vehicle Service Co., Ltd. (“JiHeKang Service Company”) was formed by the JV Company. The JV Company has 100% ownership interest in JiHeKang Service Company and the Company, indirectly through its 50% ownership interest in the JV Company, has 50% economic interest in JiHeKang Service Company.

As of the year ended December 31, 2015, the JV Company consolidated the following entities on its financial statements: (1) 100% interest in Kandi Changxing; (2) 100% interest in Kandi Jinhua; (3) 100% interest in JiHeKang; (4) 100% interest in Kandi Shanghai; and (5) 100% interest in Kandi Jiangsu; (6) 100% interest in JiHeKang Service; and (7) 50% interest in Puma Investment.

The Company accounted for its investments in the JV Company under the equity method of accounting as the Company has 50% ownership interest in the JV Company. Therefore, the Company’s consolidated net income for the year Ended December 31, 2015 and 2014 included equity income from the JV Company during such periods.

The combined results of operations and financial position of the JV Company are summarized below:

	Years ended December 31,		
	2015	2014	2013
Condensed income statement information:			
Net sales	\$ 362,715,996	\$ 215,537,203	\$ 15,212,347
Gross income	59,635,845	41,889,144	(1,279,914)
% of net sales	16.4%	19.4%	-8.4%
Net income	23,323,128	7,526,164	(3,020,756)
% of net sales	6.4%	3.5%	-19.9%
Company’s equity in net income of JV	\$ 11,661,564	\$ 3,763,082	\$ (1,510,378)
	Three months ended December 31,		
	2015	2014	2013
Condensed income statement information:			

Net sales	\$ 164,750,714	\$ 88,773,410	\$ 15,212,347
Gross income	27,677,165	27,944,246	(1,279,914)
% of net sales	16.8%	31.5%	-8.4%
Net income	19,322,347	743,892	(2,780,723)
% of net sales	11.7%	0.8%	-18.3%
Company's equity in net income of JV	\$ 9,661,173	\$ 371,946	\$ (1,390,362)

	December 31, 2015	December 31, 2014
Condensed balance sheet information:		
Current assets	\$ 455,368,595	\$ 262,543,256
Noncurrent assets	191,145,583	194,229,114
Total assets	\$ 646,514,178	\$ 456,772,370
Current liabilities	429,487,683	280,779,432
Noncurrent liabilities	36,348,514	9,006,787
Equity	180,677,981	166,986,151
Total liabilities and equity	\$ 646,514,178	\$ 456,772,370

For the year ended December 31, 2015, the JV Company's revenues were \$362,715,996, an increase of 68.28% from \$215,537,203 for the year ended December 31, 2014. For the three months ended December 31, 2015, the JV Company's revenues were \$164,750,714, an increase of 85.59% from \$88,773,410 for the three months ended December 31, 2014. The revenue was primarily derived from the sales of EV products in the PRC with a total of 24,220 units sold during the year 2015, among which, a total of 12,100 units of EV products were sold during the three months ended December 31, 2015. The growth of sales of EV products was mainly driven by the demand from the MPT program. For the year ended December 31, 2015, the JV Company recorded a net profit of \$23,323,128 as compared to \$7,526,164 for the year ended December 31, 2014. For the three months ended December 31, 2015, the JV Company recorded a net profit of \$19,322,347 as compared to \$743,892 for the three months ended December 31, 2014. As the Company only has 50% ownership interest in the JV Company and accounted for its investments in the JV Company under the equity method of accounting, the Company didn't consolidate the JV Company's financial results but included equity income from the JV Company during such periods, which were a share of profit of \$11,661,564 and \$3,763,082 for the years ended December 31, 2015 and 2014, respectively.

Note: The following table illustrates the captions used in the Company's Income Statements for its equity basis investments in the JV Company.

Changes in the Company's equity method investment in JV Company for the year ended December 31, 2015 and 2014 are as follows:

	Years ended December 31,	
	2015	2014
Investment in JV Company, beginning of the period,	\$ 83,309,095	\$ 79,331,930

Share of profit	11,661,564	3,763,082
Intercompany transaction elimination	(1,135)	(184,138)
Year 2014 unrealized profit realized	181,426	911,322
Exchange difference	(4,813,051)	(513,101)
Investment in JV Company, end of the period	<u>\$ 90,337,899</u>	<u>\$ 83,309,095</u>

Sales to the Company's customers, the JV Company and its subsidiaries, for the year ended December 31, 2015 were \$152,247,082 or 76% of the Company's total revenue for the year, an increase of 29.3% of the sales to the JV Company from the previous year. Sales to the JV Company and its subsidiaries for the three months ended December 31, 2015 were \$45,787,956 or 78% of total revenue for that three months period. The sales to the JV Company and its subsidiaries were primarily the sales of battery packs, body parts, EV drive motors, EV controllers, air conditioning units and other auto parts, the breakdown of the sales to the JV Company and its subsidiaries as follows:

	<b>Years ended December 31,</b>	
	2015	2014
JV Company	\$ 67,729,570	\$ -
Kandi Changxing	44,019,899	65,342,342
Kandi Shanghai	39,708,548	39,412,740
Kandi Jinhua	789,065	12,952,070
Total sales to JV	<u>\$ 152,247,082</u>	<u>\$ 117,707,152</u>

The following tables summarize the effects of transactions including sales and purchases with JV:

	<b>Years ended December 31,</b>	
	2015	2014
Sales to JV	\$ 152,247,082	\$ 117,707,152
Purchase from JV	<u>\$ 55,179</u>	<u>\$ 356,609</u>

As of the years ended 2015 and 2014, the amount due from the JV Company and its subsidiaries, net was \$76,172,471 and \$51,450,612, respectively, of which the majority was the balances with the JV Company, Kandi Jinhua, Kandi Changxing and Kandi Shanghai. The breakdown was as below:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Kandi Shanghai	\$ (4,488,379)	\$ 6,978,618
Kandi Changxing	3,249,445	7,359,202
Kandi Jinhua	6,218,177	12,736,420
Kandi Jiangsu	11,453	-
JV Company	71,181,775	24,376,372
Consolidated JV	<u>\$ 76,172,471</u>	<u>\$ 51,450,612</u>

Within the receivables from the JV Company, the \$23,102,869 was a one-year entrusted loan that Kandi Vehicle lent to the JV Company from December 16, 2015 to June 15, 2016 carrying an annual interest rate determined by using the People's Bank of China floating benchmark lending rate on the date of withdraw plus 5% of that rate. The rate will not be adjusted after the withdraw during the lending period, which was 8.7% . The loan was organized by Bank of Communications Hangzhou Zhongan Branch as the agent bank between Kandi Vehicle and the JV Company. Entrusted loans are commonly found in China, where direct borrowing and lending between commercial enterprises are restricted.

41. The Company's March 14, 2016 Form 10-K also assured investors about the adequacy of the Company's internal financial controls, stating in pertinent part:

Management conducted an assessment of the effectiveness of our system of internal control over financial reporting as of December 31, 2015, the last day of our fiscal year. This assessment was based on criteria established in the framework Internal Control—Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) and included an evaluation of elements such as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies, and our overall control environment. ***Based on management's evaluation under the 2013 COSO framework, management concluded that the Company's internal controls over financial reporting were effective as of December 31, 2015.***

(emphasis added).

42. The Company's March 14, 2016 Form 10-K was signed by Defendants Hu and Wang and contained certifications pursuant to SOX, signed by Hu and Wang, substantially similar to the certifications described in ¶21, *supra*.

43. On May 10, 2016, Kandi filed its Quarterly Report with the SEC on form 10-Q for the period ended March 31, 2016, providing the Company's unaudited, consolidated financial data for that period and assuring investors of the Company's internal financial controls, stating that there “was no change to our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.”

44. The Company's May 10, 2016 Form 10-Q was signed by Defendants Hu and Wang and contained certifications pursuant to SOX, signed by Hu and Wang, substantially similar to the certifications described in ¶21, *supra*.

45. On August 8, 2016, Kandi filed its Quarterly Report with the SEC on form 10-Q for the period ended June 30, 2016, providing the Company's unaudited, consolidated financial data for that period and assuring investors of the Company's internal financial controls, stating that there "was no change to our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting."

46. The Company's August 8, 2016 Form 10-Q was signed by Defendants Hu and Wang and contained certifications pursuant to SOX, signed by Hu and Wang, substantially similar to the certifications described in ¶21, *supra*.

47. On November 9, 2016, Kandi filed its Quarterly Report with the SEC on form 10-Q for the period ended September 30, 2016, providing the Company's unaudited, consolidated financial data for that period and assuring investors of the Company's internal financial controls, stating that there "was no change to our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting."

48. The Company's November 9, 2016 Form 10-Q was signed by Defendants Hu and Wang and contained certifications pursuant to SOX, signed by Hu and Wang, substantially similar to the certifications described in ¶21, *supra*.

***B. The Truth Begins To Emerge – Disclosures At The End Of The Class Period***

49. On March 13, 2017, after the markets had closed, Kandi filed a Form 8-K with the SEC, stating, in pertinent part:

**Item 4.02 Non-Reliance on Previously Issued Financial Statements or a Related Audit Report or Completed Interim Review.**

(a) During the course of Kandi Technologies Group, Inc.'s (the "Company") preparation of its Annual Report on Form 10-K for the year ended December 31, 2016, and during preparation of responses to comments from the staff of the Securities and Exchange Commission ("SEC"), Division of Corporate Finance, the Company's management identified certain areas in the Company's previously issued financial statements for the years ended December 31, 2015 and 2014, and the first three quarters for the year ended December 31, 2016 (the "Previously Issued Financial Statements"), that require adjustment as described below and in more detail in the Company's annual report on Form 10-K/A for the fiscal year ended December 31, 2015 ("Form 10-K/A"), to be filed with the SEC. As a result, on March 7, 2017, the board of directors (the "Board") of the Company, based on the recommendation of the Company's audit committee, and in consultation with management, concluded that the Company's Previously Issued Financial Statements should no longer be relied upon. The Company will, in the Form 10-K/A, restate the Previously Issued Financial Statements, which restatement will include separate audited financial statements for the JV Company (the "Restatements"). The Restatements will have no effect on the net income of the Company as reported in the Previously Issued Financial Statements. The Company will endeavor to file its Annual Report on Form 10-K for the fiscal year ended December 31, 2016, pursuant to SEC's rules (including timing guidelines), and will file the Form 10-K/A as soon as practicably possible.

The Restatements will include separate audited financial statements for the Company's equity investment in the JV Company, corrections to the classification of notes receivable and notes payable in the Company's statements of cash flow, revisions in the Company's financial statement presentation to separately identify certain related party accounts on the face of the Balance Sheets and the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss), certain amendments to Note 20 – Taxes of the Notes to the Company's Consolidated Financial Statements, the adjustment of previously recorded construction-in-progress back to prepayment in Note 16 - Construction-in-Progress of the Notes to the Company's Consolidated Financial Statements, expansions of two tables of sales to and purchases from the JV Company in Note 24 - Summarized Information of Investment in the JV Company of the Notes to the Company's Consolidated Financial Statements from two years to three years, and the removal of "unaudited" labels from certain tables in Note 20 - Taxes of the Notes to the Company's Consolidated Financial Statements.

The Company will also amend its unaudited quarterly data for the first three quarters ended December 31, 2016, as set forth in its upcoming Annual Report on Form 10-K for the year ended December 31, 2016. The Company has not filed and does not intend to file amendments to its Quarterly Reports on Form 10-Q for the quarterly periods affected. Accordingly, investors should no longer rely upon the Company's previously released financial statements for those periods or any earnings releases or other communications relating to those periods. The Company's Quarterly Reports on Form 10-Q for fiscal year 2017 will include restated results for the corresponding interim periods of fiscal year 2016.

In addition, in conjunction with the Restatements, the Company is reassessing its internal controls over its financial reporting and compliance programs. The result of this reassessment could lead the Company to conclude that there were deficiencies in its internal controls over financial reporting that constitute material weaknesses and could therefore affect its conclusions regarding effectiveness as previously expressed in Item 9A, Controls and Procedures, of the Company's Annual Report on Form 10-K for the year ended December 31, 2015. Accordingly, management's report on internal controls over financial reporting as of December 31, 2015, and the associated report of AWC (CPA) Limited, the Company's former principal accountant ("AWC"), should no longer be relied upon. The Public Company Accounting Oversight Board revoked the registration of AWC on May 18, 2016. The Company dismissed AWC and engaged BDO China Shu Lun Pan Certified Public Accountants LLP ("BDO China") as its new independent registered public accounting firm on April 12, 2016, as previously reported. The Company is committed to maintaining an effective control environment and making all necessary changes to enhance control effectiveness.

### **CLASS ACTION ALLEGATIONS**

50. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of a class of all persons and entities who purchased or otherwise acquired Kandi securities between May 12, 2014 through March 13, 2017, inclusive. Excluded from the Class are Defendants, directors and officers of the Company, as well as their families and affiliates.

51. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Kandi securities were actively traded on the NASDAQ stock exchange. While the exact number of Class members is unknown to Plaintiff at this time and can only be ascertained through appropriate discovery, Plaintiff believes that there



are hundreds or thousands of members in the proposed Class. As of November 9, 2016, the Company had 47,699,638 shares of common stock outstanding. Record owners and other members of the Class may be identified from records maintained by Kandi or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

52. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class which predominate over questions which may affect individual Class members include:

- a. Whether the Exchange Act was violated by Defendants;
- b. Whether Defendants omitted and/or misrepresented material facts;
- c. Whether Defendants' statements omitted material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;
- d. Whether Defendants knew or recklessly disregarded that their statements were false and misleading;
- e. Whether the price of the Company's stock was artificially inflated; and
- f. The extent of damage sustained by Class members and the appropriate measure of damages.

53. Plaintiff's claims are typical of those of the Class because Plaintiff and the Class sustained damages from Defendants' wrongful conduct alleged herein.

54. Plaintiff will adequately protect the interests of the Class and has retained counsel who are experienced in class action securities litigation. Plaintiff has no interests that conflict with those of the Class.



55. A class action is superior to other available methods for the fair and efficient adjudication of this controversy. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation makes it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

### **LOSS CAUSATION**

56. Defendants' wrongful conduct, as alleged herein, directly and proximately caused the economic loss suffered by Plaintiff and the Class.

57. During the Class Period, Plaintiff and the Class purchased Kandi securities at artificially inflated prices and were damaged thereby.

58. On March 13, 2017, after the markets had closed, the Company disclosed that in preparation of its Annual Report for the year ended December 31, 2016, and during preparation of responses to comments from the staff of the SEC, Division of Corporate Finance, the Company's management identified certain areas in the Company's previously issued financial statements for the years ended December 31, 2015 and 2014, and the first three quarters for the year ended December 31, 2016, requiring it to restate various aspects of its previously issued financial statements and reassessment of the Company's internal controls over financial reporting and compliance programs. The Company further disclosed that such previously issued financial statements should no longer be relied upon.

59. At the time the market closed on March 14, the value of shares of the Company's stock declined by \$0.30, of nearly 7%. This decline is directly attributable to the March 14, 2017 disclosure by Kandi that it would restate various financial results for the years ended 2014, 2015, and the first three quarters of 2016.

### **SCIENTER ALLEGATIONS**

60. As alleged herein, Defendants acted with scienter in that Defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially false and/or misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, Defendants, by virtue of their receipt of information reflecting the true facts regarding Kandi, his/her control over, and/or receipt and/or modification of Kandi's allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning Kandi, participated in the fraudulent scheme alleged herein.

### **FRAUD ON THE MARKET**

61. Plaintiff will rely upon the presumption of reliance established by the fraud-on-the-market doctrine that, among other things:

- a. Defendants made public misrepresentations or failed to disclose material facts during the Class Period;
- b. The omissions and misrepresentations were material;
- c. The Company's common stock traded in efficient markets;
- d. The misrepresentations alleged herein would tend to induce a reasonable investor to misjudge the value of the Company's common stock; and
- e. Plaintiff and other members of the class purchased the Company's common stock between the time Defendants misrepresented or failed to disclose material facts and the time that the true facts were disclosed, without knowledge of the misrepresented or omitted facts.

62. At all relevant times, the markets for the Company's stock were efficient for the following reasons, among others: (i) the Company filed periodic public reports with the SEC; and (ii) the Company regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases on the major news wire services and through other wide-ranging public disclosures such as communications with the financial press, securities analysts, and other similar reporting services. Plaintiff and the Class relied on the price of the Company's common stock, which reflected all information in the market, including the misstatements by Defendants.

### **NO SAFE HARBOR**

63. The statutory safe harbor provided for forward-looking statements under certain conditions do not apply to any of the allegedly false statements pleaded in this Complaint. The specific statements pleaded herein were not identified as forward-looking statements when made.

64. To the extent there were any forward-looking statements, there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements.

### **CAUSES OF ACTION**

#### **COUNT I**

#### **Violation of § 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder (Against All Defendants)**

65. Plaintiff repeats and re-alleges each and every allegation contained above as if fully set forth herein.

66. During the Class Period, Defendants disseminated or approved the false statements specified above, which they knew or deliberately disregarded were misleading in that they

contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

67. Defendants violated § 10(b) of the Exchange Act and Rule 10b-5 in that they (i) employed devices, schemes, and artifices to defraud; (ii) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (iii) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon those who purchased or otherwise acquired the Company's securities during the Class Period.

68. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for the Company's common stock. Plaintiff and the Class would not have purchased the Company's common stock at the price paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by Defendants' misleading statements.

## **COUNT II**

### **Violation of § 20(a) of the Exchange Act (Against The Individual Defendants)**

69. Plaintiff repeats and re-alleges each and every allegation contained above as if fully set forth herein.

70. The Individual Defendants acted as controlling persons of the Company within the meaning of § 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions at the Company, the Individual Defendants had the power and authority to cause or prevent the Company from engaging in the wrongful conduct complained of herein. The Individual Defendants were provided with or had unlimited access to the Company's reports, press releases, public filings and other statements alleged by Plaintiffs to be false or misleading both prior to and

immediately after their publication, and had the ability to prevent the issuance of those materials or to cause them to be corrected so as not to be misleading.

71. In particular, each of these Defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

72. As set forth above, Kandi and the Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and/or omissions as alleged in this Complaint. By virtue of their positions as controlling persons, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

### **PRAYER FOR RELIEF**

WHEREFORE, Plaintiff prays for relief and judgment, as follows:

A. determining that this action is a proper class action pursuant to Rule 23(a) and 23(b)(3) of the Federal Rules of Civil Procedure on behalf of the Class as defined herein, and a certification of Plaintiff as class representative pursuant to Rule 23 of the Federal Rules of Civil Procedure and appointment of Plaintiff's counsel as Lead Counsel;

B. awarding compensatory and punitive damages in favor of Plaintiff and the other class members against all Defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including pre-judgment and post-judgment interest thereon.

C. awarding Plaintiff and other members of the Class their costs and expenses in this litigation, including reasonable attorneys' fees and experts' fees and other costs and disbursements; and

D. awarding Plaintiff and the other Class members such other relief as this Court may deem just and proper.

**DEMAND FOR JURY TRIAL**

Plaintiff hereby demands a trial by jury in this action of all issues so triable.

Dated: March 16, 2017

**GARDY & NOTIS, LLP**

By: s/ James S. Notis  
James S. Notis  
Jennifer Sarnelli  
126 East 56th Street, 8th Floor  
New York, NY 10022  
Tel: 212-905-0509  
Fax: 212-905-0508  
[jnotis@gardylaw.com](mailto:jnotis@gardylaw.com)  
[jsarnelli@gardylaw.com](mailto:jsarnelli@gardylaw.com)

**BLOCK & LEVITON LLP**

Jeffrey C. Block  
Bradley J. Vettraino  
155 Federal Street, Suite 400  
Boston, MA 02110  
Tel: 617-398-5600  
Fax: 617-507-6020  
[Jeff@blockesq.com](mailto:Jeff@blockesq.com)  
[Bradley@blockesq.com](mailto:Bradley@blockesq.com)

*Counsel for Plaintiff*